

# Memorandum

**To:** Lenora Kingston, Colorado State Travel Management Program  
**From:** Paula Palotay, Revenue Agent II, Colorado Department of Revenue  
**Date:** 3/7/2008  
**Re:** Improper Use of Sales Tax Exemption Certificates

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Lenora,

I am aware that you are the contact person for the State Travel Management Program and wanted to notify you of some apparent misunderstanding of exemptions related to State travel. On a recent audit of a local motel, it became apparent to me that some state employees are presenting their respective agency exemption certificates along with their travel credit card (issued in the employee's name) to receive tax-free motel rooms. As you are probably aware, the room must be paid directly with agency funds (i.e. directly billed by the motel to the agency; paid by state warrant or credit card in the agency name) to be exempt. The apparent improper use of agency exemption certificates presents a poor appearance on the part of state employees and can give the wrong impression to the public. It would be helpful to explain to state employees that improper use of exempt certificates could expose the state to embarrassment if improperly used to obtain tax-free purchases or services.

In your communication with other agencies, it would help our agency (Revenue) if you could explain and clarify that only purchases made directly with agency funds are tax-exempt (Reg 39-26-704.1). Making FYI Sales # 63 available on your website is helpful; however, I noticed that the newest revision of the FYI (12/2007) from our Taxpayer Service Division FYI Sales # 63 "Government Purchases Exemptions" was not on your website. Please refer to the link for our website. (<http://www.revenue.state.co.us/fyi/pdf/sales63.pdf>)

I appreciate your consideration on this matter. Thank you for your time.